

Message Text

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ACTION ARA-10

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FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC 5830

C O N F I D E N T I A L GUATEMALA 2702

E.O. 11652: GDS
TAGS: EGEN, GT, PINR
SUBJECT: MINISTER OF ECONOMY, GUIROLA BATRES RESIGNS,
REPLACED BY RAMIRO PONCE MONROY

1. MINISTER OF ECONOMY GUIROLA BATRES RESIGNED APRIL 29, 1977,
UNDER PRESSURES ARISING FROM PRICE CONTROL PROGRAM. LOSS OF
HIS PERSONAL QUALITIES AT CABINET LEVEL IS TO BE REGRETTED,
BUT MAJOR IMPACT MAY BE A BREACH BETWEEN PRIVATE SECTOR
AND LAUGERUD ADMINISTRATION.

2. RESIGNATION FOLLOWED WEEK-LONG CONFLICT OVER IMPLEMENTA-
TION AND ENFORCEMENT OF PRICE CONTROLS, INCLUDING POLICE
RAIDS AND ARRESTS OF SHOP-KEEPERS ALLEGEDLY VIOLATING PRICE
CONTROL NORMS ESTABLISHED BY GOVERNMENT. IN SUPPORT OF
SHOP-KEEPERS, PRIVATE SECTOR ORGANIZATIONS BOUGHT SPACE IN
NEWSPAPERS ATTACKING GOVERNMENT ENFORCEMENT ACTION AND
BELITTLING EFFECTIVENESS OF EFFORTS TO CONTROL ESSENTIALLY
FREE GUATEMALAN MARKET.

3. IN ADDITION, PRIVATE SECTOR INDIVIDUALS AND GROUPS
PRESENTED THEIR COMPLAINTS TO MINISTER OF ECONOMY GUIROLA
BATRES DIRECTLY. THE MINISTER'S PRIVATE SECTOR BACK-
GROUND, FORMER PRESIDENT OF GUATEMALAN CHAMBER OF COMMERCE,
LED HIM TO SPEAK SHARPLY AGAINST PRICE CONTROL POLICIES
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IN CABINET LEVEL DISCUSSIONS. HE CITED THE POLITICAL
BASIS AND RESULTANT ECONOMIC ANTIPATHIES CHARACTERISTIC
OF THE PROGRAM AS NOT SERVING THE DEVELOPMENT OBJECTIVES
OF THE GUATEMALAN ECONOMY. FURTHER, IT APPEARS THAT THE
DECISION TO USE POLICE POWER TO ENFORCE CONTROLS WAS TAKEN
WITHOUT CONSULTATION WITH THE MINISTER, INDICATING A LOSS
OF COMMUNICATION WITHIN THE CABINET.

4. PRIVATE SECTOR ORGANIZATIONS WHICH PRESSURED GUIROLA BATRES MAY HAVE CAUSE TO REGRET THEIR CONTRIBUTION TO HIS RESIGNATION. HE WAS A TRUSTED SPOKESMAN AND THE KEY LINE OF COMMUNICATION OF THE PRIVATE SECTOR INTO THE LAUGERUD ADMINISTRATION. THE FACT THAT A POLITICIAN HAS BEEN NAMED TO REPLACE GUIROLA BATRES MAY POINT TO THE NON-POLITICAL ATTITUDE THE MINISTER TOOK IN ABRUPTLY RESIGNING. HIS REPLACEMENT, RAMIRO PONCE MONROY, IS A FORMER NEWSPAPER EDITOR AND EX-MAYOR, AND PRESENTLY A MEMBER OF THE ARANISTA CAO AND OF CONGRESS. HE IS POLITICALLY VERY WELL CONNECTED BUT HAS LITTLE GRASP OF COMPLEX ECONOMIC ISSUES, SUCH AS PRICE CONTROLS, SHIPPING AND PETROLEUM LEGISLATION, THAT WILL SOON FACE HIM.

5. COMMENT: WHILE IT MAY BE THAT MINISTER OF ECONOMY PONCE WILL SUPPORT PRICE CONTROL IMPLEMENTATION WITH GREATER FERVOR THAN DID HIS PREDECESSOR, IT IS HIGHLY UNLIKELY THAT HE WILL COME TO ENJOY THE IMPORTANT ROLE OF LINK FROM THE GOVERNMENT TO THE PRIVATE SECTOR WHICH GUIROLA PLAYED. THE DECISIONS OF THE OFFICE REQUIRE TECHNICAL CAPABILITY ON WHICH MINISTER PONCE HAS NOT BEEN TESTED.

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